

INFORMATION PAPER

DAJA-LA
15 September 2003

SUBJECT: Combat Zone IRS Filing Extensions

1. Purpose: To provide information on IRS extensions for those serving in a combat zone, in an area "in direct support of" a combat zone or qualified hazardous duty area.

2. Discussion:

a. Internal Revenue Code § 7508(a) provides for an extension of time to perform certain acts if the individual is serving in the Armed Forces or in support of the Armed Forces in a combat zone, area "in direct support of" a combat zone, qualified hazardous duty area, or hospitalized as a result of injury received while serving in such area.

b. In general, the deadlines for performing certain actions applicable to taxes are extended for the period of service in the above mentioned areas, plus 180 days after the last day in the area. Additionally, if a soldier is continuously hospitalized as a result of injuries sustained while serving in the combat zone, the extension also includes the time in the hospital, not to exceed 5 years if hospitalized in the United States. The extensions apply not only to those serving in the combat zone but also to their spouse in most cases (if the individual entitled to the extension is hospitalized in the United States or more than 2 years have elapsed since termination of the combat zone designation, the extension does not apply to the spouse). The most common actions that can be extended are the following:

1) Filing an income tax return: The extension for filing an income tax return is 180 days from the last day in the qualified zone plus the period of time in the zone between 1 January and 15 April. Thus if a soldier entered the combat zone on 1 February 2003 he is entitled to an extension of time for filing his 2002 federal income tax return until 254 days after he leaves the combat zone (180 + 74 (the number of days between 1 February and 15 April)).

2) Payment of any income tax: The extension also applies to the payment of any federal income tax. Assessment and collection deadlines will be extended and interest and penalties attributable to the extension period will not be charged. Thus the soldier mentioned above would not have to pay any taxes owed until 254 days after he leaves the combat zone. However, if the soldier is due a refund, he may wish to file earlier in order to receive the refund.

c. In the event that an individual entitled to the combat zone extensions reenters a combat zone before the prior extension period has expired, a new 180 days period will begin after the individual leaves the combat zone for the second time. Additionally, any time (of the days between 1 Jan and 15 April) remaining on the first extension will be

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added to the new 180-day period. For example, a soldier served in Afghanistan from 1 April to 31 August 2002. This soldier then deploys to Iraq on 5 March 2003. He was entitled to an extension of time for filing and paying his 2001 income taxes of 195 days (180 plus the 15 day period that was left before the 15 April deadline). This extension period would have expired on 14 March 2003 (195 days from 1 September 2002, the first day out of the combat zone). Because the extension period had not expired for the 2001 tax year before he reentered a combat zone, he will have 190 days (180 days plus 10 of the 15 days remaining before the 15 April 2002 deadline) after he leaves Iraq to file his 2001 taxes.

d. A list of other time sensitive actions for which performance is postponed for members of the U.S. Armed Forces or individuals serving in support of a combat zone is available in Revenue Procedure 2002-71, which is available at www.irs.gov.

e. Internal Revenue Notice 2003-21, Tax Relief for those involve in Operation Iraqi Freedom provides more guidance on combat zone related tax benefits and is available on the IRS website.

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